Meeting between Federal Reserve Board staff and Representatives of captive finance companies November 30, 2010

Participants: Pat White and Michael Gibson (Federal Reserve Board)

John Lewis Brown (Deere Credit); Jim Dueinsing (Caterpillar Financial Services); Ryan McKee (U.S. Chamber of Commerce); Sam Peterson (Chatham Financial); Cynthia Sandherr and Tom Spitzfaden (Deere & Co.); Clay Thompson (Caterpillar); Dennis Tosh (Ford Motor Co.); Daniel Waldman (Arnold & Porter); JT Young (Ford Motor Co.); and Luke Zubrod (Chatham Financial)

Summary: Staff from the Federal Reserve Board met with representatives of captive finance companies to discuss implementation issues under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") related to margin requirements on non-cleared derivatives. The group noted that the Dodd-Frank Act provides an exemption for captive finance companies from the definition of "major swap participant." They raised a concern that, if the exemption is implemented in a narrow way, their firms may not qualify for the exemption. The representatives also noted that margin requirements on non-cleared derivatives may impose costly requirements on captive finance companies who use derivatives to hedge interest rate and foreign currency risks, and that captive finance companies currently have covenants in their debt offerings that prevent their pledge of assets to meet margin requirements.